

**STATE OF INDIANA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS**

FINAL DETERMINATION OF ACCEPTANCE

Petition of Noble Energy, Inc.) Case No.: DOG-14-2008
For Drilling Unit and Spacing Unit Exception for the)
New Albany Shale Formation only, for the Sisal 1-18H)
Unit located in the east half of Section 18, T7N, R8W, Sullivan County, Indiana, consisting of 320.0 Acres	

As provided in 312 IAC 16-5-2, an informal hearing was conducted under 312 16-2-3 and held in this matter on 8/26/2008, before the Indiana Department of Natural Resources (IDNR), Division of Oil and Gas (Division), at the DNR Division of Reclamation Office located at Hwy 48 West, Jasonville, IN. The purpose of the informal hearing was to consider the Petition for an exception to the well spacing and drilling unit requirements filed by Noble Energy, Inc. (Petitioner) for the creation of a 320.0 acre drilling unit known as the Sisal 1-18H Drilling Unit.

Having reviewed the entire record in this matter, and being duly advised, the Director of the Division of Oil and Gas (Director) makes the following Findings of Fact, Conclusions of Law and Final Determination of Acceptance:

FINDINGS OF FACT

1. Petitioner Noble Energy, Inc. is a Colorado corporation whose principal place of business is 1625 Broadway Street, Suite 2200, Denver, CO 80202. Noble is authorized to transact business in the State of Indiana and its agent for service of process is Karen Anspaugh, 49 Boone Village, Suite 168, Zionsville, Indiana 46077.
2. Indiana Code 14-37-3-3 requires the IDNR to regulate the spacing of wells for oil and gas purposes through the establishment of rules providing minimum distances between wells and adjacent properties, and minimum acreage requirements for each well taking into consideration of regional and geological characteristics and factors conducive to the most efficient and economical recovery of oil and gas.
3. 312 IAC 16-5-1 through 312 IAC 16-5-3 contain the rules adopted by IDNR for regulation of well spacing and drilling unit size.
4. 312 IAC 16-5-2 allows the Division Director to grant an exception to the spacing or drilling unit requirements of 312 IAC 16-5-1 and 312 IAC 16-5-2 where the request is supported by unusual regional or geological characteristics and the exception is conducive to the most efficient and economical recovery of oil and gas.
5. Petitioner asserts that Section 18, Township 7 North, Range 8 West in Sullivan County, IN is a regular section established within the rectangular survey system. The east half of section eighteen contains 320.0 acres, more or less.
6. Petitioner asserts that with the low permeability within the New Albany Shale formation, the

use of horizontal wells is expected to more economically produce the formation, and that the use of horizontal wells by cutting across existing vertical fracture patterns within the formation can effectively and economically recover the natural gas resources from within a three-hundred twenty (320.0) acre drilling unit.

7. Petitioner asserts that reducing the drilling unit by applying the Non-Rule Policy published as DNR Information Bulletin #58 would require that an additional well be drilled in the east half of the section and that would be uneconomical and impractical. This would result in the correlative rights of some landowners being unprotected as they would receive no production revenue from the single well that is drilled.
8. Petitioner further asserts that the proposed drilling unit size will not result in a loss of resources within the New Albany Shale formation of the affected area.
9. Petitioner attached the following documents to its Petition:
 - a. Exhibit "A" – Schedule of Leasehold Interests
 - b. Exhibit "B" – Map of Affected Area
10. As required by 312 IAC 16-2-3 (c), notice of the date, time, and place of the informal hearing held in the Jasonville Office of the Division of Reclamation on August 26, 2008 was mailed to each landowner on the schedule of leasehold interests on August 6, 2008.
11. The following persons were present at the informal hearing held on 8/26/2008:

<u>Person</u>	<u>Representing</u>
Scott Lewis	Noble Energy, Inc.
Mona Nemecek	IN DNR Div. Oil and Gas

12. No comments or objections to the Petition were submitted by any other parties, on or before the date of the informal hearing.
13. No comments or objections to the Petition were submitted by any persons present at the informal hearing.
14. Based upon a review of all relevant information, the Petition should be accepted in order to allow the Petitioner to proceed with the efficient and economical development of the Affected Area in accordance with the Final Determination of Acceptance.


CONCLUSIONS OF LAW AND FINAL DETERMINATION OF ACCEPTANCE

1. IC 14-37-3-3 and any rules promulgated thereunder apply and are pertinent to the subject matter of the Petition filed herein.
2. There has been full compliance with all notice requirements provided by law, and all interested parties have been afforded an opportunity to be heard.
3. The IDNR and the Division have jurisdiction to hear this matter and authority, as delegated by the Natural Resources Commission, to approve this Petition.
4. The Petition, herein referenced, contains the elements required by law.
5. The drilling unit acreage requested by Petitioner is hereby approved for the New Albany Shale

as follows:

- a. A drilling unit, consisting of 320.0 acres more or less, located in the east half of Section 18, Township 7 North, Range 8 West, Sullivan County, IN:
5. This determination is a final administrative action of the IDNR and, as such, is subject to administrative review under IC 4-21.5-3-7.

August 28, 2008
Dated



Herschel L. McDivitt, Director
Division of Oil and Gas

**DIVISION OF OIL AND GAS
DEPARTMENT OF NATURAL RESOURCES**

**NOTICE OF FINAL DETERMINATION OF ACCEPTANCE
NOTICE OF RIGHT TO APPEAL
CERTIFICATE OF MAILING**

You are hereby notified that on the date indicated below, the Indiana Department of Natural Resources, through the Director of the Division of Oil and Gas, issued a Final Determination of Acceptance with respect to a Petition for an exception to the well spacing and drilling unit requirements found in 312 IAC 16-5-1 through 312 IAC 16-5-3. The Order of Acceptance is based on a Petition filed by Noble Energy, Inc. (Petitioner) and on an Informal Hearing held in this matter on 8/26/2008, in Jasonville, Indiana to consider the Petition for the establishment of a three-hundred twenty (320.0) acre drilling unit in Sullivan County, Indiana. A copy of the Final Determination of Acceptance issued on the date indicated below is enclosed.

The terms of the enclosed Final Determination of Acceptance are subject to appeal and review under IC 4-21.5-3-7 in a hearing before an Administrative Law Judge. In order to qualify for administrative review, a person must petition for review in writing stating facts that demonstrate the petitioner is:

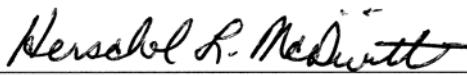
- (A) a person to whom the order is specifically directed;
- (B) aggrieved or adversely affected by the order; or
- (C) entitled to review under any law.

In order to be timely, any petition for administrative review must be filed with the Division of Hearings, Natural Resources Commission, Indiana Government Center South, 402 W. Washington St., Rm. W272, Indianapolis, IN 46204 within eighteen (18) days after the mailing date of this notice. If no petition for administrative review is filed within the stated time limit, all terms and conditions contained in the enclosed Final Determination of Acceptance will become final and binding.

I further certify that a copy of the referenced Final Determination of Acceptance was sent by First Class Mail on the date indicated below to the following:

Karen J. Anspaugh, Attorney for Petitioner, 49 Boone Village, Suite 168, Zionsville, IN 46077
Darin and Nicole Sisal, 2905 South County Road 350 East, Sullivan, IN 47882
Michael and Sarah Cox, 2444 South County Road 350 East, Sullivan, IN 47882
Joe and Frances Rinehart, 2249 South County Road 350 West, Sullivan, IN 47882
Todd Talpas, 8168 East Cemetery Road, Dugger, IN 47848
Sam Dunfee, 2503 South County Road 350 East, Sullivan, IN 47882
Bruce and Lorene Self, 1347 East County Road 550 South, Carlisle, IN 47838
Joseph and Rita Mize, 2091 East County Road 425 South, Carlisle, IN 47838
Donald and Opal Vest, Route 4, Box 1115, Linton, IN 47441

August 28, 2008
Date



Herschel L. McDivitt, Director
Division of Oil and Gas
